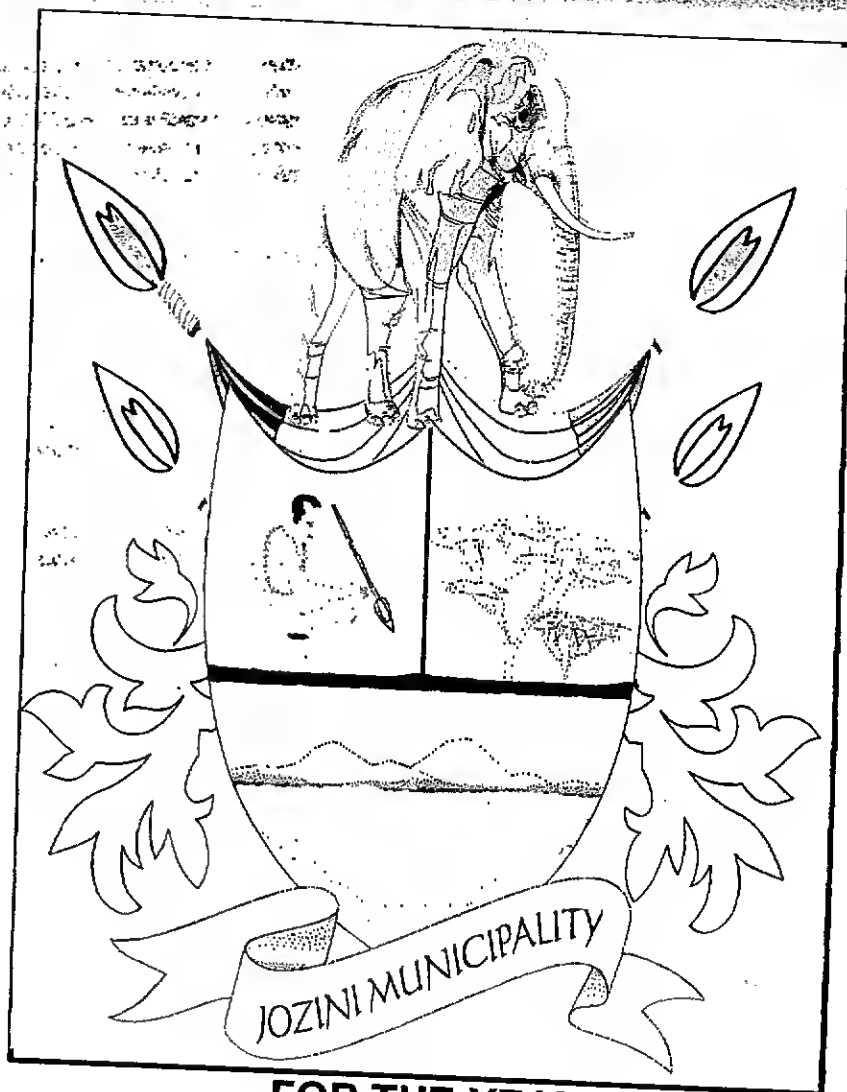


**JOZINI MUNICIPALITY  
UNAUDITED  
ANNUAL FINANCIAL STATEMENTS**



**FOR THE YEAR**

**ENDING 30 JUNE 2006**

## GENERAL INFORMATION

2

### MEMBERS OF THE EXECUTIVE COMMITTEE

1. Cllr. T.P. Mthethwa
2. Cllr. J. Siyaya
3. Cllr. H.M. Myeni
4. Cllr. P.J. Mabuyakhulu
5. Cllr. L.V. Khumalo
6. Cllr. P.R. Mngomezulu
7. Cllr. D.P. Mabika

Her Worship - The Mayor  
Deputy Mayor  
Speaker  
Exco Member  
Exco Member  
Exco Member  
Exco Member

### SPEAKER OF COUNCIL

Cllr. P.J. Mabuyakhulu

Total number of councillors:

33

### GRADING OF THE LOCAL MUNICIPALITY

Grade 2

(As per councillor remuneration grading)

### AUDITORS

The Auditor-General

### BANKERS

First National Bank of South Africa

### REGISTERED OFFICE

Circle Street, Bottom Town  
Jozini  
3969

Private Bag x 028  
Jozini  
3969

Telephone (035) 572 1292  
Fax (035) 572 1266

### APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 26 were approved by the Municipal Manager on ..... 2006 and presented to and approved by Council on ..... 2006

### MUNICIPAL MANAGER

NN Nkosi (effective 01 December 2001)

Matric, Executive Leadership Development Programme - Municipal Manager's Certificate  
(School of Public Administration and Development Management, UKZN)

### CHIEF FINANCIAL OFFICER

TV Mdluli (effective 01 July 2002)

Matric, NS Financial Management, Executive Leadership Development Programme - Municipal Manager's Certificate  
(School of Public Administration and Development Management, UKZN)

REPORT FROM THE AUDITOR-GENERAL

4

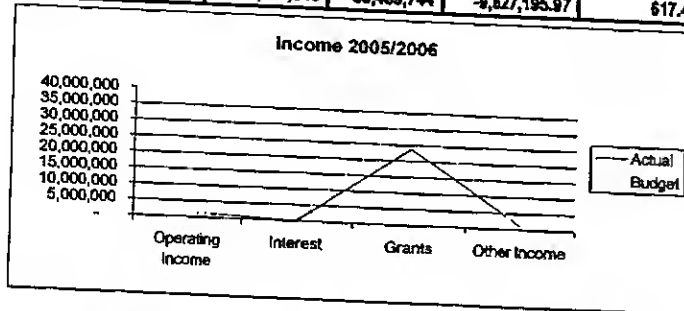
The financial statements have not yet been audited.  
Will be included once received after audit.

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## 2. INCOME

Details of income per department and classification are included in appendix D.

	Actual 2006	Budget 2006	2006 Variance Amount	2006 Variance %
Operating Income	1,668,616	1,757,112	-88,496.13	-5.0%
Interest	107,868	527,500	-419,631.79	-79.6%
Grants	23,755,272	34,045,230	-10,289,958.00	-30.2%
Other Income	1,330,792	159,902	1,170,889.95	732.3%
	26,862,548	36,489,744	-9,627,195.97	617.4%



### 2.1 Grants and Subsidies

Equitable share is shown as operational grant; and MAP, MFMA, Inter-departmental monitoring, Anti-Corruption, Property Rates' Library grants has been received and remaining funds will be transferred to funds.

(See Appendix A and D for more information)

### 2.2 Operating Income

Actual 2006	Budget 2006
1,668,616	1,757,112

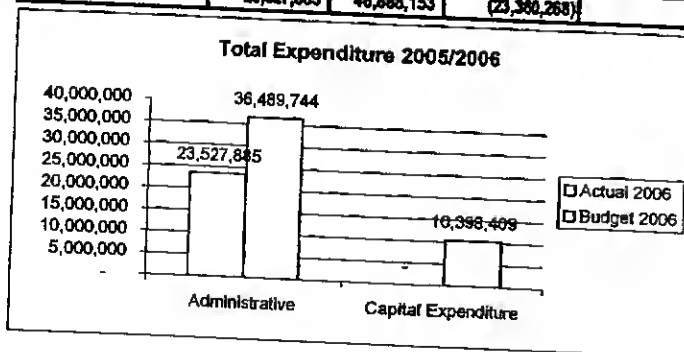
(Refer to Appendix D for more details).

## 3. EXPENDITURE

### 3.1 Total Expenditure

Details of income department and classification are included in appendix D.

	Actual 2006	Budget 2006	2006 Variance Amount	2006 Variance %
Administrative	23,527,885	36,489,744	(12,961,858)	-35.52%
Capital Expenditure	-	10,368,409	(10,368,409)	-100.00%
Total	23,527,885	46,858,153	(23,330,268)	(1)



#### 4. CAPITAL EXPENDITURE (FIXED ASSETS)

8

The expenditure on fixed assets incurred during the year amounted to R 4 276 486.12 which consisted mainly of Plant & Equipment, Furniture & Fittings and Computers.

Details are reflected in Appendix C

Resources used to finance the fixed assets were as follows:

Contributions from operating income

Grants & Subsidies

	-
	-

Refer to 3.1 for comments on total expenditure.

#### 5. EXTERNAL LOANS, INVESTMENTS AND CASH

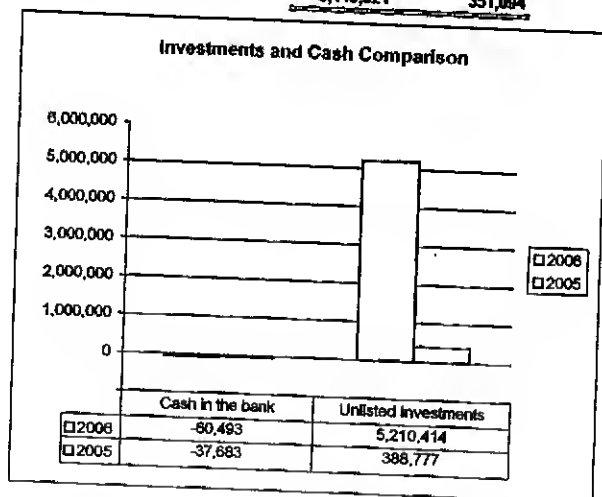
##### 5.1 External loans

No external loans were taken up for the municipal functions during the period and none were transferred from Umkhanyakude District and Jozini. Details of external loans are included in appendix A.

##### 5.2 Investments and Cash

All available cash was held in Council's Bank account at 30 June 2005 amounting to (refer to notes 7 and 20 for more details):

	2006	2005
Cash in the bank		
Unlisted Investments	5,210,414	388,777
	<u>5,149,921</u>	<u>351,094</u>



A million rand withdrawal from investments was made this current financial year. Interest received from current account and investment account amounted to R 4501552.00 for the current financial year.

## 5.2 Public Improvement Fund

11

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

## 5.3 Leave Provision

A provision equal to the actual leave credit as at 30 June 2005 is maintained to provide for leave payments on request. Contributions are made from the operating account.

## 5.4 Bad Debt Provision

A provision equal to the anticipated risk as at 30 June 2005 is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

## 5.5 Working Reserves

Some funds are reserved for the unexpected variation of working capital.

## 6 RETIREMENT BENEFITS

Jozini Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

## 7 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## 8 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

## 9 INCOME RECOGNITION

### 9.1 Assessment Rates

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

### 9.2 Water Billings.

Meters are read and billed monthly. This is done on behalf of the Umkhanyakude district Municipality as per the latest powers and functions.

## 10 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilized to fund projects that the council may deem necessary to fund.

## JOZINI MUNICIPALITY

## BALANCE SHEET AT 30 JUNE 2006

	Notes	2006 R	2005 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>			
Statutory Funds	1	1,749,318	1,340,971
Reserves	2	1,705,919	1,340,971
		43,399	-
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	15	257,335	1,128,382
<b>TRUST FUNDS</b>	3	5,873,603	-992,207
<b>LONG-TERM LIABILITIES</b>	4	-	-
Deposits		-	-
		<u>7,680,256</u>	<u>1,478,147</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	5	-	-
<b>LONG TERM DEBTORS</b>	6	-	-
<b>INVESTMENTS</b>	7	5,210,414	388,777
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		2,469,843	1,089,370
<b>CURRENT ASSETS</b>		3,973,800	4,484,675
Inventory		-	-
Debtors	8	4,034,292	4,484,674
Cash resources	20	-60,493	-
Short-term portion of long term debtors	8	-	-
<b>CURRENT LIABILITIES</b>		1,603,957	3,395,305
Provisions	9	384,894	555,632
Creditors	10	1,119,063	2,801,990
Short-term portion of long term creditors	4	-	-
Bank Overdraft	20	-	37,683
		<u>7,680,258</u>	<u>1,478,147</u>

**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>			
Cash generated by operations		(437,817)	13,541,493
Investment Income	16	(29,991,813)	(5,945,333)
Increase in working capital	14	107,868	514,162
	17	(1,403,283)	(1,299,116)
		(31,287,228)	(6,730,267)
Less: External interest paid			
Cash utilized by operations	14	-	-
Operational Grants		(31,287,228)	(6,730,287)
Proceeds on disposal of fixed assets		23,755,272	15,987,946
Contributions from Public or Government			-
		7,094,139	4,283,834
<b>CASH UTILIZED IN INVESTING ACTIVITIES</b>			
		(4,276,348)	(839,266)
Investment in Fixed Assets			
		(4,276,348)	(839,266)
<b>NET CASH FLOW</b>			
		(4,714,165)	12,702,227
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase/ (Decrease) in long-term Loans	18	-	-
Increase/ (Decrease) in Cash Investments	19	4,912,317	(13,457,121)
Increase/ (Decrease) in Deposits	8	-	-
Increase/ (Decrease) in Cash	20	22,810	754,893
<b>NET CASH GENERATED</b>			
		4,935,127	(12,702,228)



## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006

	2006	2005
	R	R
<b>5. FIXED ASSETS</b>		
Fixed assets at the beginning of the year		
Capital expenditure during the year	17,287,397	16,134,023
Less: Assets written off, transferred or disposed of during the year	1,481,680	839,266
Total fixed assets	0	0
Less: Loans redeemed and other capital receipts	16,769,078	16,973,289
Net fixed assets	21,249,636	16,973,289
(Refer to appendix "C" and section 2 of the Treasurers Report for more details on fixed assets)	<u>-2,480,559</u>	<u>0</u>
<b>6. LONG TERM DEBTORS</b>		
Deposits	0	0
Less: Short term portion of long term debtors transferred to current assets	0	0
	<u>0</u>	<u>0</u>
<b>7. INVESTMENTS</b>		
Unlisted:		
FNB Call Account 62064734679		
FNB Call Account 62064733746	910,327	388,777
FNB Call Account 62054059516	1,590,032	
Abca	1,710,054	
Total investments	1,000,000	
	<u>5,210,414</u>	<u>388,777</u>
Managements' valuation of unlisted investments.	<u>5,210,414</u>	<u>388,777</u>
<b>8. DEBTORS</b>		
RATES DEBTORS		
CONSERVANCY DEBTOR	1	
REFUSE DEBTORS CONTROL ACCOUNT	2	2,700,332
LEGAL COST DEBTORS	3	0
MISC DEBTORS	4	920,735
NOT USED	5	14,303
WATER DEBTORS	6	2,928
STAFF DEBTORS	7	-184
M NDLOVU - DEPT OF HOUSING	8	126
PURCHASE OF SITES - INGWAVUMA	9	-9,701
BP NTSHANGASE	10	171,850
TT DLADLA	11	-114,527
JA MINGOMEZULU	12	22,112
NE DLAMINI	13	40,156
PH NXUMALO	14	160
SM NDLOVU	15	2,381
PH NXUMALO	16	2,844
NH MYUMBU	17	2,498
NC MAGAZI	18	-20
NP DLUDLU	19	-180
PM MYENI	20	583
NP MATHENJWA	21	563
PN MINGOMEZULU	22	0
DC 27 OFFICE RENT MKUZE	23	323
INGWAVUMA CORRECTION SERVICES	24	-20
SW MADLOPHA	25	0
CHRISTMAS PARTY	26	10,150
BP NTSHANGASE - RENT	27	7,000
MC MTHEMBU - RENT	28	8,720
BO MATHENJWA - RENT	29	6,720
TV MDLULI	30	2,774.39
LR NDLAZI	31	1,466.71
UMKHANYAKUDE YEAR END BALANCES	32	2,153.42
Umkhanyakude District Municipality	33	83.31
Value Added Tax		500.00
Other debtors		728,735
		1,563,669
Less: Provisions for bad Debts		255
		241,372
		9,000
	<u>4,598,651</u>	<u>5,050,033</u>
	<u>565,359</u>	<u>565,359</u>
	<u>4,034,292</u>	<u>4,484,574</u>

	R	R
<b>FINANCIAL TRANSACTIONS</b>		
Total external interest earned/(paid):		
Interest earned	107,868	514,162
Interest paid	0	0
Capital Charges debited to operating account:		
Interest: External	107,868	514,162
Internal	0	0
Redemption: External	0	0
Internal	0	0
	0	0
	0	0
	0	0
<b>15. ACCUMULATED SURPLUS/(DEFICIT)</b>		
Net Appropriation account		
Accumulated surplus/(deficit) at the beginning of the year		
Operating surplus for the period	1,129,383	2,056,526
Appropriations for the year	3,392,107	-86,130
Prior Year adjustments	0	-841,014
Accumulated surplus/(deficit) at the end of the period	-4,264,155	
	257,336	1,129,382
Operating account		
Capital expenditure	4,276,348	839,266
Contributions to:	8,893,803	4,452,408
- Provisions	0	337,148
- Reserves	7,619,900	3,880,458
- Trust Funds	0	0
- Capital Development Fund	-853,294	88,231
- Leave	27,197	188,573
	11,270,151	5,291,674
<b>6. CASH GENERATED BY OPERATIONS</b>		
Net surplus (deficit) for the year		
Adjustment for:	3,392,107	-86,130
Appropriations for previous year	0	-841,014
Appropriations charged against income		
Capital Development fund	3,650,251	1,074,070
Provisions	-853,294	88,231
Reserves	27,197	188,573
Fixed Assets	0	0
Capital Charges	4,276,348	839,266
Interest Paid	0	0
- Internal Funds		
- External Loans		
Redemption		
- Internal Advances		
- External Loans		
Grants and Subsidies received from the State		
Investment Income (Operating Account)	-23,755,272	-15,987,946
		-514,162

(INCREASE)/ DECREASE IN CASH ON HAND (Continued)

	2006 R	2005 R
<b>Call Accounts</b>		
First National Bank - Mkuze Branch		
Cash book balance		
Bank statement Balance	298,095	298,095
	<u>298,095</u>	<u>298,095</u>
First National Bank - Mkuze Branch		
Cash book balance		
Bank statement Balance	1,054	1,054
	<u>1,054</u>	<u>1,054</u>
First National Bank - Mkuze Branch		
Cash book balance		
Bank statement Balance	89,627	89,627
	<u>89,627</u>	<u>89,627</u>
<b>21. CAPITAL DEVELOPMENT FUND</b>		
Accumulated Funds (Appendix A)		
Less: Internal Investment to Borrowing Services (Appendix B)	551,554	1,204,849
Balance available for External Investment	<u>0</u>	<u>0</u>
	<u>551,554</u>	<u>1,204,849</u>
<b>22. PUBLIC IMPROVEMENT FUND</b>		
Accumulated Funds (Appendix A)		
Less: Internal Investment to Borrowing Services (Appendix B)	129,780	136,121
Less: Funds Invested in fixed assets (Appendix C)	0	0
Balance available for External Investment	<u>0</u>	<u>0</u>
	<u>129,780</u>	<u>136,121</u>
<b>23. RETIREMENT BENEFITS</b>		

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 1998.

## APPENDIX A

## STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 01/7/2005 R	Contributions during the year R	Interest on investment R	Operating expenditure during the year R	Capital expenditure during the year R	Balance at 31/06/2006 R
<b>STATUTORY FUNDS</b>						
Consolidated Capital Development Fund	1,204,849	(653,294)	-	-	-	551,554
Public Improvement Funds	129,780	-	-	-	-	129,780
PIF Advances	6,342	-	-	-	-	6,342
	<b>1,334,628</b>	<b>(653,294)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>681,334</b>
<b>TRUST FUNDS</b>						
Establishment Grant	(494,229)	-	-	(67,714)	-	(551,943)
Free Basic Water	-	-	-	-	-	-
IDP	141,923	50,000	-	(49,977)	-	141,946
Communication	27,548	-	-	(15,071)	-	12,477
Roads	(3,850,580)	-	-	-	-	(3,850,580)
Development Planning capacity building	109,871	100,000	-	-	-	209,871
Lums Grant	93,828	211,200	-	(141,200)	-	163,828
HR / Fin Grant	-	-	-	-	-	-
LED Grant	-	-	-	-	-	-
LGWSETA	745	65,908	-	-	-	66,654
Library Grant	1,385,310	-	-	-	(1,083,758)	301,552
GIS	71,559	-	-	-	-	71,559
Performance Management System	(127,915)	-	-	-	-	(127,915)
Finance Management Grant	786,758	-	-	(362,901)	-	425,857
Capacity Building Grant	-	-	-	-	-	-
Sports Commission	4,120	-	-	-	-	4,120
MAP	500,000	804,086	-	(4,000)	-	1,300,086
Interdepartmental Monitoring	60,000	40,000	-	(461,254)	-	84,832
MFMA	37,838	100,000	-	(14,600)	-	123,238
Property Rates	63,125	170,000	-	(7,262)	-	225,863
Anti-Corruption	134,000	-	-	-	-	134,000
MSIG	-	734,000	-	-	-	734,000
Housing	61,892	-	-	-	-	61,892
Project Consolidate	-	4,524,705	-	-	(3,666,624)	858,082
CDW's Grant	-	168,000	-	(57,734)	-	110,266
Municipal Dev. Infrastructure services	-	150,000	-	-	-	150,000
Municipal Performance Management	-	40,000	-	-	-	40,000
Spetail Planning	-	50,000	-	-	-	50,000
Development Planning capacity building	-	100,000	-	-	-	100,000
Municipal Infrastructure Investment	-	312,000	-	-	-	312,000
	<b>(992,206)</b>	<b>7,819,900</b>	<b>-</b>	<b>(1,181,712)</b>	<b>(4,750,382)</b>	<b>695,600</b>
<b>PROVISIONS</b>						
Accounting & Audit Fees	-	-	-	-	-	-
Leave	555,632	-	-	(170,738)	-	384,894
Bad Debts	-	-	-	-	-	-
	<b>555,632</b>	<b>-</b>	<b>-</b>	<b>(170,738)</b>	<b>-</b>	<b>384,894</b>
<b>RESERVES</b>						
Emergency Relief Fund	-	-	-	-	-	-
Micro Dams	-	127,534	-	-	(84,135)	43,399
	<b>-</b>	<b>127,534</b>	<b>-</b>	<b>-</b>	<b>(84,135)</b>	<b>43,399</b>
<b>TOTAL</b>	<b>898,054</b>	<b>7,094,140</b>	<b>-</b>	<b>(1,352,450)</b>	<b>(4,834,517)</b>	<b>1,805,227</b>

# JOZINI MUNICIPALITY

24

## ANALYSIS OF FIXED ASSETS

EXPENDITURE 2003	SERVICE	BUDGET 2005/2006	BALANCE AT 1 JULY 2005	EXPENDITURE 2005 & 2006	REDEEMED, TRANSFERRED OR WRITTEN OFF	BALANCE AT 30 JUNE 2006
R		R	R	R	R	R
1,254,818	<b>RATES AND GENERAL SERVICES</b>					
690,735	Land & Buildings	331,199	2,025,819	1,153,374		
105,913	Furniture & Fittings	115,000	2,733,886	524,002		
109,052	Computers	111,999	513,833	102,483		
219,347	Plant & Equipment	460,000	500,623	15,930		
129,769	Motor Vehicles	300,000	567,550	2,183,534		
-	Roads & Streets		8,649,997	297,025		
-	Parks & Recreations		264,944			
-	Grounds & Fences		11,839			
-	Stormwater & Drains		1,448,033			
1	Library		8,612	-		
-	Miscellaneous		175,642	-		
-	Street lights & flood light	540,000		-		
-	<b>ECONOMICS SERVICES</b>					
-	Refuse site		74,508	-		
-	Sewerage works		-	-		
15,816	<b>TRADING SERVICE</b>					
-	Electricity		-	-		
15,818	Water		-	-		
1,270,635	<b>TOTAL FIXED ASSETS</b>					
-	<b>ACCUMULATED DEPRECIATION</b>					
1,270,635	<b>NETT FIXED ASSETS</b>					
-	<b>LESS:</b>					
1,270,635	<b>LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>					
1,270,635	<b>RATE &amp; GENERAL SERVICES</b>					
188,035	Loans redeemed & Advances repaid	278,198	604,024	-		
1,081,600	Contributions ex Operating income	1,580,000	35,745	-		
-	Contributions ex Grants & Subsidies		18,333,519	4,276,348		
-	<b>TRADING SERVICES</b>					
-	Electricity:					
-	Contributions ex Operating Income		-	-		
-	Contributions ex Grant & Subsidies		-	-		
-	<b>Water:</b>					
0	Loans redeemed		-	-		
-	Contributions ex Operating Income		-	-		
-	Contributions ex Grant & Subsidies		-	-		
0	<b>NET FIXED ASSETS</b>					

## APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2006 Actual Income R			2006 Actual expenditure R			2006 Surplus/ (deficit) R		
22,104,921			20,800,403			1,304,518		
22,104,921			20,800,403			1,304,518		
1,207,746			0			1,207,746		
0			2,036,674			-2,036,674		
3,880,458			7,084,254			-3,203,796		
957,013			2,369,366			-1,412,353		
72,600			745,325			-672,725		
15,967,105			2,258,692			13,728,414		
0			3,770,668			-3,770,668		
0			185,802			-185,802		
0			2,349,622			-2,349,622		
0			0			0		
0			0			0		
338,785			486,983			-148,198		
0			0			0		
338,785			486,983			-148,198		
0			0			0		
0			0			0		
22,443,707			21,287,386			1,156,321		
						23,357		
						1,179,678		
						8,386,402		
						9,566,080		
2006 Actual Income R			2006 Actual expenditure R			2006 Surplus/ (deficit) R		
RATES & GENERAL			28,919,993			23,478,647		
COMMUNITY SERVICES			28,919,993			23,478,647		
Assessment rates			566,332			0		
Corporate Services			0			2,774,085		
Council General Expenses			23,757,772			9,897,957		
Financial Services			1,877,991			2,904,442		
Health & Refuse			785,081			2,770,080		
Management			0			0		
Planning & Development			57,448			3,752,426		
Public Safety			0			182,466		
Waste Management			-134,632			1,397,191		
Parks & Gardens			0			0		
SUBSIDISED SERVICES			0			49,239		
Library			0			49,239		
ECONOMIC SERVICES			0			0		
Sewerage Conservancy			0			0		
Health & Refuse			0			0		
TRADING SERVICES			0			0		
Water			0			0		
Electricity			0			0		
TOTAL			28,919,993			23,527,886		
Appropriations for this year (refer to note)						4,264,155		
Net deficit for the year						-872,048		
Accumulated surplus/(deficit) beginning of the year						1,129,383		
Accumulated surplus end of year						257,335		

## 2. Valuations

Rateable Property:

Non Rateable Property:

Residential Property:

Commercial Property:

Assessment Rates:

Town	Resident	Commercial	up to 1000m2	+1000m2
Mkuze:	10.98	10.98		
uBombo			180.00	0.30
Ingwavuma			180.00	0.30